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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000647

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TAGS: [PREL](#) [PGOV](#) [AM](#)

SUBJECT: BAGHDASARIAN LEADING HIS PARTY INTO THE COLD?

REF: A) YEREVAN 280 B) YEREVAN 489 C) YEREVAN 423

Classified By: DCM A.F. Godfrey for reasons 1.4 (b, d).

SUMMARY

¶1. (C) In a series of recent setbacks for National Assembly Speaker Artur Baghdasarian and his Orinats Yerkir (Rule of Law, OY) party, it is becoming apparent that Baghdasarian is being marginalized well before the 2007 parliamentary elections (ref A). Baghdasarian's penchant for playing to a Western audience and flirting a bit too boldly with the opposition appears to have worn out the presidential apparatus's patience, with the result that four of the twenty members of parliament that had formed the second-largest faction in the National Assembly left the faction May 5 and 6, with an additional eight resignations pending in Orinats Yerkir party headquarters. (Note: The OY leadership expelled an additional member late last month, for a total loss of five members of the bloc by May 6. End Note.) All former OY members were major local businessmen and the source of much of the party's day-to-day funding -- while Baghdasarian will be able to replace the two members of the bloc who were elected from the party list, the three who held single-mandate seats and the funding all five provided are lost for good. We believe that Baghdasarian will be able to maintain his position as Speaker for now, but expect additional defections from the party as businessmen politicians seek safer harbors, probably with Gagik Tsarukyan's Prosperous Armenia Party. End Summary.

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"ARMENIA'S FUTURE IN NATO"--THE LAST STRAW

¶2. (C) Although tension between Baghdasarian's Orinats Yerkir and other members of the governing coalition has been part of the political landscape for the past several years, the situation has worsened considerably in the past six months. Baghdasarian's penchant for foreign (especially Western) travel has long been the subject of grousing within the government, with his professional polish and personal charisma in marked contrast to some of his coalition partners' more Soviet and provincial approaches to foreign relations. Mher Shahgeldian, Baghdasarian's loyal (but more pragmatic) deputy, told us that Orinats Yerkir's current difficulties began with the April 13 vote on the government's privatization program. Baghdasarian had opposed the program and used the opportunity to accuse well-placed individuals of corruption. Shortly after the privatization vote, Baghdasarian traveled to France and Germany, where he gave an

interview to the Frankfurter Allgemeine in which he said that "Armenia's future is the European Union and NATO." The firestorm attacking Baghdasarian for departing from official Armenian foreign policy began immediately, and Shahgeldian told us that it was Orinats Yerkir's comments about NATO that tipped the scales.

MORE RESIGNATIONS IN THE WORKS

13. (C) Shahgeldian told us that the solid nucleus of Orinats Yerkir support in the National Assembly now consisted of only eight to ten members. That seems to make sense, as working-level staff in the Orinats Yerkir party headquarters told us that an additional eight parliamentarians had submitted their resignations. Of Orinats Yerkir's original 20 members, twelve (including the Speaker) were elected from the party list, the other eight were elected from single-mandate districts. The members who have already left the party are:

--Artak Sargsyan, owner of the SAS Group of supermarkets, expelled from OY in late April for breaking party discipline on the privatization vote, single-mandate;

--Arshak Mkhitarian, CEO of a Kotayk region company, Aghavni Ltd., resigned May 5, party list;

--Melik Manukyan, CEO of Saranist Ltd., member of the Union of Armenian businessmen and Industrialists, governing council of the Armenian Commerce and Industry Chamber, resigned May 5, single-mandate;

--Grigor Margaryan, owner of the Bellagio restaurant chain, resigned May 6, single-mandate; and

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--Aleksan Petrosyan, executive director of a company specializing in brandy and wine production, resigned May 6, party list.

(Note: Those National Assembly members elected from a party list who leave the party will lose their seats in parliament as well as their personal immunity. Those members elected from single-mandate districts will retain their seats. Orinats Yerkir will have the opportunity to replace those members from the party list, and expects to do so by May 15. End Note.) Shahgeldian told us that he believed that Yerevan's mayor (appointed by the President) had been the principal player explaining to businessmen how much they stood to lose if they stuck with Orinats Yerkir, but that the mayor and others probably went beyond any instructions by the President or his closest advisors.

BAGHDASARIAN WEAKENED, BUT STILL SPEAKER

14. (C) Although Baghdasarian's position in the National Assembly and in the governing coalition will be significantly weakened, under current parliamentary procedural rules he cannot be removed from his position before the end of this convocation of the parliament. While the new constitution would allow for the National Assembly to change their rules with a simple majority, we have no indication that the other members of the coalition will force the rule change and Baghdasarian's resignation. Shahgeldian pointed out to us that the leader of the Republican Faction and senior member of the governing coalition, Galust Sahakyan, had recently tempered his rhetoric, and was no longer calling for Baghdasarian's ouster.

COMMENT: A CLEAR SHOT ACROSS THE BOW

15. (C) In an atmosphere of intense competition and maneuvering for position in advance of next year's parliamentary elections, the warning to Baghdasarian and Orinats Yerkir is clear. Opposition parties, who as recently as mid-April had been telling us that they were "likely to work with Orinats Yerkir" in the upcoming elections, are now keeping their distance -- and without business, coalition, significant grass-root or opposition support, it seems unlikely that Orinats Yerkir has much of a future after the 2007 elections.

EVANS